

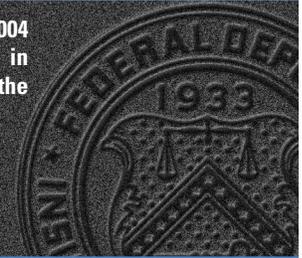
Letter to Stakeholders

4th quarter
2004

FDIC

Happy New Year! This Letter to Stakeholders highlights our fourth quarter 2004 activities and year-end financial statistics. We had many accomplishments in the past year and have high expectations for 2005. For more information about the activities of the FDIC, please visit our Web site at www.fdic.gov.

Don Powell
Chairman



Our Priorities

Stability

- Reported in the *FDIC Quarterly Banking Profile* that insured commercial banks and savings institutions reported record net income of \$32.5 billion in the third quarter. Growth in commercial and industrial loans continued, while net interest margins and profitability at community banks improved.
- Maintained the existing BIF and SAIF assessment rate schedule for the first half of 2005.
- Preliminary estimates show BIF growth to \$34.8B and SAIF to \$12.7B at year-end 2004 (subject to change and GAO audit). As a result of a continuing favorable outlook for the bank and thrift industries, as well as improvement in the financial condition of a few large institutions, the year-end BIF and SAIF contingent liability for anticipated failures fell to \$8 million and \$2 million, respectively.

Sound Policy

- Issued a study on "account-hijacking" identity theft, and requested comments to use in formulating guidance to bankers next year.
- Published a final rule to modernize and simplify the deposit insurance assessment certified statement process; quarterly certified statement invoices will be available online and the burden on institutions will be reduced by eliminating the requirement that institutions sign and return corrected invoices.
- Issued, along with other bank and thrift regulators, proposed guidance on *Internal Ratings-Based Systems for Retail Credit Risk for Regulatory Capital*, a major step in the domestic implementation of the Basel capital scheme.
- Announced with U. S. Treasury and other federal departments and agencies the first major initiatives of the new Financial Literacy and Education Commission – the creation of a financial education "toolkit" and Web site.
- Published in the latest issue of the *FDIC Banking Review* papers focusing on the challenges facing community banking from the FDIC's study on the Future of Banking. The study projects likely trends in the industry and anticipates policy issues that will confront the industry and the regulatory community in the coming years.
- Launched "Money Smart – Un programa de educación para adultos", a Web page in Spanish that includes all the materials and information pertaining to the *Money Smart* program.

Stewardship

- Adopted a 2005 operating budget of \$1.1 billion, which is essentially unchanged from 2004, despite scheduled salary and other cost increases. The new budget reduces authorized staffing by 674 positions (12%) by year-end 2005, while providing more than \$20 million in funding for major new corporate initiatives, including increased resources for implementing the future Basel capital regime and enhanced risk analysis of our largest insured financial institutions.
- Announced a new Corporate Employee Program to encourage and reward cross-divisional mobility and the pursuit of experience in multiple disciplines. The program participants will, over time, become the base for a smaller, more flexible permanent workforce.

Our Key Indices Most Current Data

Insurance	BIF		SAIF		Both Funds	
	Q3 2003	Q3 2004	Q3 2003	Q3 2004	Q3 2003	Q3 2004
Updated quarterly (\$ billions)						
# Insured Inst.	8,058	7,888	1,194	1,150	9,252	9,038
\$ Insured Inst.	\$ 7,769	\$ 8,575	\$ 1,187	\$ 1,312	\$ 8,956	\$ 9,887
Insured Deposits	\$ 2,542	\$ 2,613	\$ 873	\$ 944	\$ 3,415	\$ 3,557
Fund Balances	\$ 33.5	\$ 34.5	\$ 12.2	\$ 12.5	\$ 45.7	\$ 47.0
Reserve Ratios	% 1.32	% 1.32	% 1.40	% 1.33	% 1.34	% 1.32

Supervision	12/31/2003	12/31/2004
YTD		
Total Number of FDIC Supervised Institutions	5,340	5,272
Bank Examinations:		
Safety and Soundness	2,421	2,515
Compliance and CRA	1,919	2,136
Insurance and Other Applications Approved	2,832	3,044
Formal and Informal Enforcement Actions	523	622

Receiverships	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q4 2003	Q4 2004	Q4 2003	Q4 2004	Q4 2003	Q4 2004
Total Receiverships	31	31	2	3	33	34
Assets in Liquidation	\$ 347	\$ 243	\$ 334	\$ 303	\$ 681	\$ 546
Collections	\$ 1,573	\$ 221	\$ 55	\$ 81	\$ 1,628	\$ 302
Dividends Paid	\$ 1,009	\$ 374	\$ 3	\$ 2	\$ 1,012	\$ 376

Income	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q3 2004	Q4 2004	Q3 2004	Q4 2004	Q3 2004	Q4 2004
Assessment Income	\$ 67	\$ 95	\$ 7	\$ 9	\$ 74	\$ 104
Interest	\$ 1,158	\$ 1,553	\$ 414	\$ 555	\$ 1,572	\$ 2,108
Comprehensive Income	\$ 685	\$ 1,005	\$ 283	\$ 480	\$ 968	\$ 1,485

Resources	Budget/Expenditures				On Board Staff	
	Total	Ongoing Operations	Recvrshp Funding	Major Investment Funding	Q4 2004	Target Y/E 2004
Annual Budget	\$ 1,210	\$ 1,015	\$ 75	\$ 120	5,078	5,329
YTD Expended	\$ 1,112	\$ 986	\$ 18	\$ 108		

▼ Financial data is unaudited